GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3021
ANSWERED ON:10.08.2001
DEFAULTING NON-BANKING COMPANIES AND CHIT FUND COMPANIES
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Will the Minister of FINANCE be pleased to state:

(a) whether the number of defaulting non-banking financial companies i.e. chit fund companies in the country are on the rise;

(b) if so, the details thereof State-wise;

(c) the number of NBFC given permission in Andhra Pradesh since 1996;

(d) the companies that have defaulted in the State during the last three years; and

(e) the action taken against these companies?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a) & (b) :- Reserve Bank of India (RBI) have reported that the information on defaults by Chit Fund Companies in the country is not available with them. It may be available with the concerned State Governments as the Chit Fund Companies are regulated by Registrar of Chits of the concerned States. It may be mentioned that only the deposit taking activities of Chit Fund Companies are regulated by RBI.

(c) :- 87 Deposit accepting / holding NBFCs have been issued the Certificate of Registration since 1998.
211 NBFCs not holding / accepting deposits have been issued Certificate of Registration since 1998 i.e. after amendments to the RBI Act, 1934 in 1997.

(d) & (e) :- As reported by RBI, the Companies that have defaulted in the State during the last three years and the action taken against these Companies are as follows:-

S.NO.	Name of the defaulting company	Action Taken
1.	Asia Pacific Investment Trust Ltd.	Based on the winding up petition filed by the Bank, High Court of A.P. has ordered liquidation of the company. Official Liquidator has realised an amount Rs. 27.40 lakh and the same is yet to be disbursed among the creditors.
2.	Deepika Leasing and Finance Ltd.	Certificate of Registration issued to the company has been cancelled by the Bank. Order prohibiting from acceptance of deposits and alienation of assets has been issued. CLB has passed orders for repayment of deposits vide their orders on three occasions after March 2001.
3.	Elite Global Finance Ltd.	The Depositors Association appointed Arbitrator for out of court settlement.
4.	Elite Financial Services Ltd.	- do -
5.	Genius Financial Services Ltd.	The company is in liquidation.

Official Liquidator has been appointed by the High Court of AP on 21.1.1999 to oversee the liquidation proceedings.

6. Leafin India Limited — Winding up petition has been filed by a creditor against the company. The Leafin Depositors` Association protested the same and prayed the court for appointment of Chairman to the company to look after the affairs. 13 CLB orders have been issued for repayment of deposits.

7 Midwest Indian Industries Ltd.
(Midwest Finance Ltd.) — The Bank has filed company petition for wining up of the company in the AP ,High court. Official Liquidator has been appointed by the court. The Bank has also filed a criminal complaint against the company and the directors for violation of CLB orders. The Managing Director of the company is in the Jail since 13, December 1999.

8. Midwest Mutual Fund Ltd. — - do-

9. Nagarjuna Finance Ltd. — The company has defaulted in repaying deposits as per CLB orders. The Bank is contemplating appropriate legal action against the company.

10. Nagarjuna Capital Markets Ltd. — Company has earlier defaulted in repayment of deposits. There have been no complaints from depositors after the year 1998.

11. S.M. Finance Ltd. — The company has partly complied with the CLB orders. Proposal to file criminal complaint against the company and its Directors for non-compliance of CLB orders is under Bank`s consideration.

12. Pennar Paterson Ltd. — The company defaulted in repayment of deposits as per CLB orders. On the basis of petition field by some creditors, High Court of AP ordered liquidation of the company.Liquidation proceedings are in progress.

13. Monarch Finlease Ltd. — Company defaulted in repayment of Deposits. As its reply to Bank`s Show Cause Notice was found to be unsatisfactory, the Bank is contemplating rejection of its application for issue of COR.

Apart from the above, the following companies have reportedly defaulted in repayment of public deposits. RBI has already rejected the companies applications for issue of COR andalso issued prohibitory orders. However, in the absence of significant number of complaints since 1998, no other action has been initiated against these companies :-

1. Kortla Leasefin India Ltd.

2. Nice India Savings and Investments Corporation Ltd.

3. Balaji Lockers Benefit Fund Ltd.